

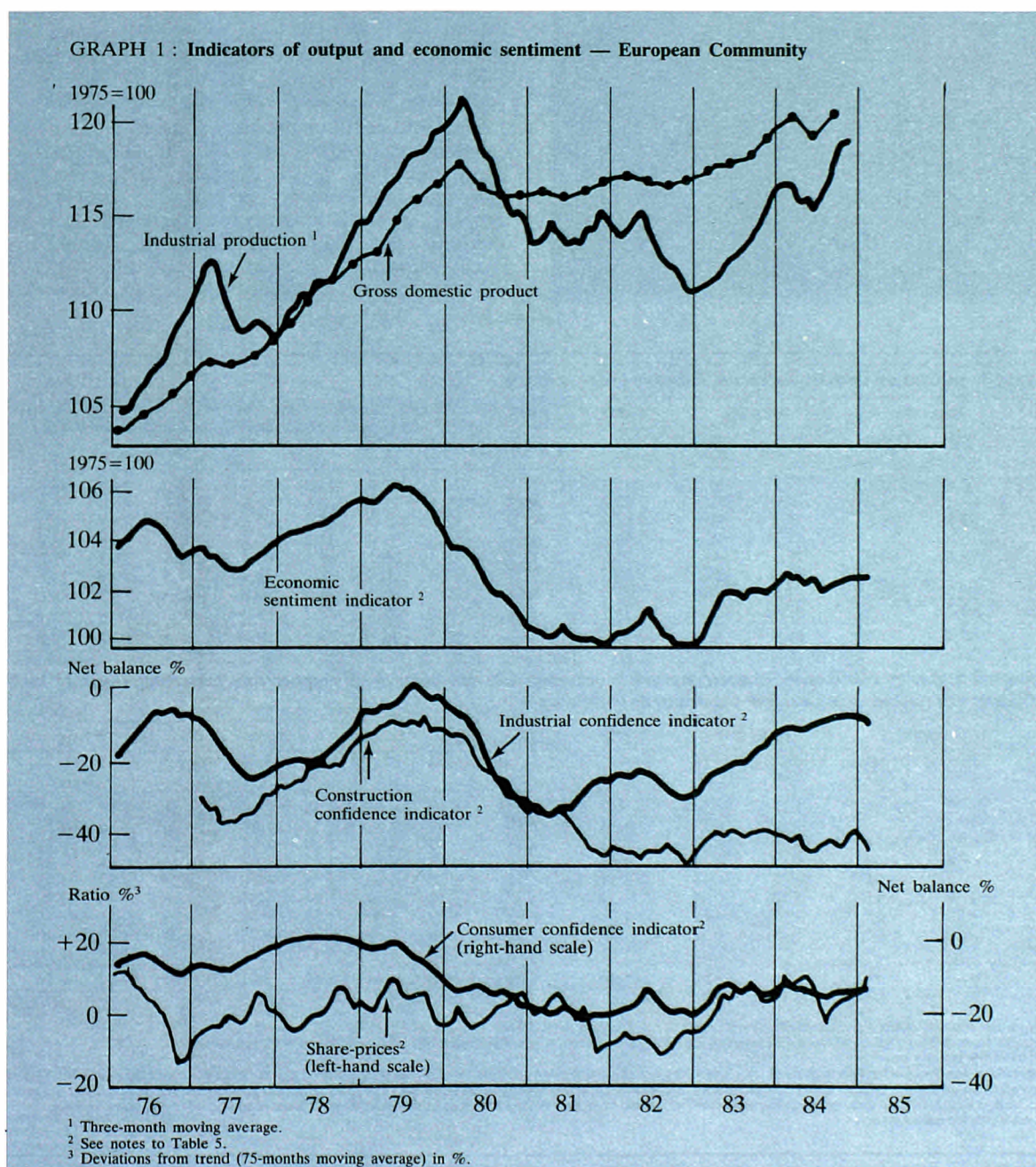
EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

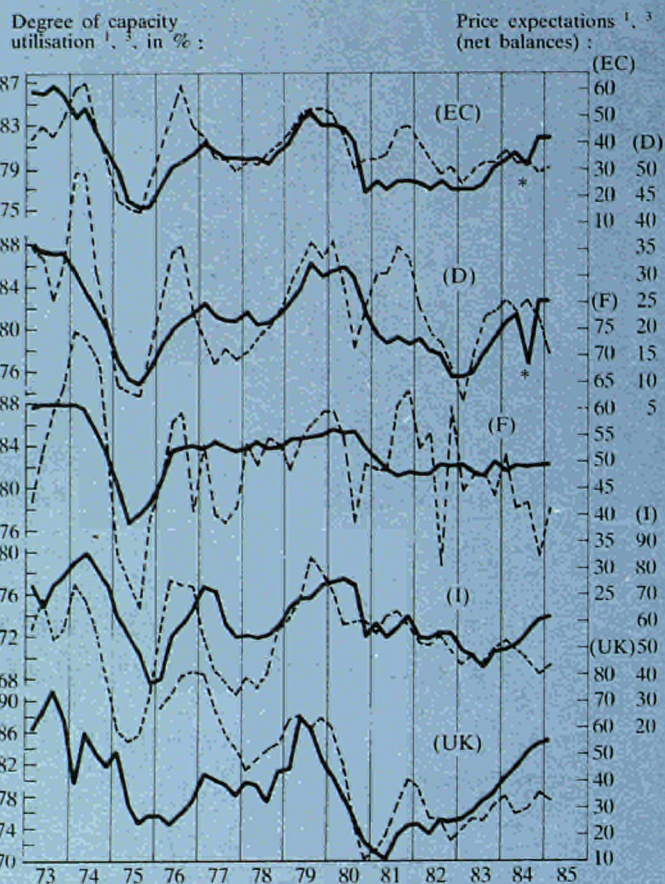
Supplement B — No 2 — February 1985

Business survey results

*This month :
Capacity utilization in industry*



GRAPH 2 : Capacity utilization and selling price expectations in industry



* Mainly due to metal workers' strike in Germany.
 1 Degree of capacity utilization in manufacturing industry: January, April, July and October
 2 Price expectations for the next months; net balances; quarterly results of monthly data; in January 1985 monthly data only; in the United Kingdom data before 1976 not available.
 3 Seasonally adjusted.
 Sources : European Community business surveys

Slightly higher degree of capacity utilization. — The level of capacity utilization in European industry reached 81,7 % in January 1985 compared to 81,5 % in the preceding survey (October 1984) and to 79,4 % one year ago. Thus the upward trend of this indicator which became established in mid-1983 has continued in the past months but with much less impetus. The overall degree of capacity utilization in European industry is now about 3 % below the "normal" level which, according to past experience is located in the range of 85 %.

The slower path of the indicator in recent months is mainly due to a slight decrease of capacity utilization in the Netherlands where the level is still relatively high (83,5 %). There was a more pronounced decline in Luxembourg (from 81,7 % to 78,8 %). In Germany, the degree of utilization remained stable (82,5 %) in January 1985 thus maintaining the higher level of capacity utilization achieved in autumn 1984 with a catch-up in production after the end of the metal workers' strike. In Belgium, Italy and Ireland, the degree of utilization has increased but is still rather low (see Table 1). The upward trend continued, at significantly higher levels in France and in particular in the United Kingdom. Capacity utilization in France is likely to decline again, however, in the course of the next months on the basis of production expectations. This view is also supported by the increased number of French firms considering technical capacity in the next 12 months to be more than sufficient (41 % compared to 36 %; see Table 2). On average, in the other member countries, capacity utilization in the next 3 months is likely to increase, but only to a moderate extent.

According to the responses on expected capacity constraints during the next 12 months, almost no excess capacity is left in Denmark and the Netherlands, where, on balance, only 4 % and 5 % of companies respectively, expect capacity to be higher than needed. The result is particularly remarkable taking into account the very substantive increase of industrial investment in 1984 and 1985 in these two countries (see Supplement B, n° 1, January 1985). On the other hand, especially in France, Luxembourg and Italy, a significant amount of slack is expected to persist. It is not possible to evaluate the degree of economic competitiveness of the excess capacity; a breakdown according to industrial branches reveals, indeed, a concentration of expected excessive capaci-

TABLE 1 : Capacity utilization in manufacturing industry (%) (a) (s.a.)

	Range (b)		Range (b)		1983	1984	1983				1984				1985
	Peak 1973	Trough 1975	Peak 79/80	Trough 82/83			J	A	J	O	J	A	J	O	
B	85,4	70,4	79,1	74,4	75,7	76,1	76,2	75,6	75,4	76,3	75,5	75,2	76,5	77,0	78,0
D	88,1	74,8	86,0	75,3	77,0	80,3	75,4	75,7	77,6	79,1	80,6	81,4	76,6	82,4	82,4
F	87,8	76,6	85,3	81,1	81,6	81,9	82,0	81,4	81,1	82,4	81,5	82,1	81,9	82,2	82,5
IRL	:	:	68,1	56,8	58,1	61,5	56,8	59,6	57,8	57,8	59,9	59,9	63,0	63,0	65,9
I	78,8	68,0	77,3	69,1	70,1	71,9	70,4	70,1	69,1	70,4	70,8	71,2	72,2	73,5	73,8
L	:	:	83,0	66,5	70,7	77,7	73,4	70,0	66,8	72,4	74,5	75,7	78,8	81,7	78,8
NL	86,0	76,0	83,0	75,8	79,5	82,4	78,1	79,2	79,9	80,8	80,6	82,2	83,0	83,7	83,5
UK (c)	90,6	75,5	87,6	73,0	76,7	82,4	74,9	75,9	77,2	78,3	80,2	81,6	83,3	84,5	84,9
EC (c)	86,4	75,0	83,9	76,4	77,2	79,9	76,5	76,5	77,2	78,7	79,4	80,2	79,0	81,4	81,7

TABLE 2: Expected capacity constraints in manufacturing industry: i.e. net balance of respondents expecting capacity to be more than sufficient in relation to production expectations (a)(d)(s.a.)

	Range (b)		Range (b)		1983	1984	1983				1984				1985
	Peak 1973	Trough 1975	Peak 79/80	Trough 82/83			J	A	J	O	J	A	J	O	
B	- 12	+ 58	+ 35	+ 53*	+ 37	+ 31	+ 40	+ 40	+ 35	+ 36	+ 31	+ 34	+ 29	+ 28	+ 29
DK	:	:	+ 10	+ 38	+ 34	+ 10	+ 33	+ 32	+ 34	+ 36	+ 20	+ 16	+ 3	0	+ 4
D	- 3	+ 56	+ 12	+ 49	+ 42	+ 24	+ 49	+ 47	+ 40	+ 35	+ 29	+ 24	+ 22	+ 20	+ 20
F	- 24	+ 45	+ 11	+ 48	+ 42	+ 39	+ 38	+ 39	+ 42	+ 48	+ 42	+ 44	+ 34	+ 36	+ 41
IRL	:	+ 34	+ 2	+ 40	+ 34	+ 31	+ 38	+ 33	+ 38	+ 29	+ 27	+ 32	+ 25	+ 39	+ 26
I	+ 1	+ 63	+ 17	+ 58	+ 54	+ 37	+ 58	+ 54	+ 54	+ 55	+ 46	+ 40	+ 30	+ 30	+ 35
L	- 72	+ 73	+ 37	+ 62	+ 59	+ 48	+ 59	+ 60	+ 57	+ 58	+ 51	+ 51	+ 46	+ 45	+ 44
NL	- 3	+ 60	+ 14	+ 51	+ 30	+ 12	+ 38	+ 30	+ 28	+ 23	+ 20	+ 13	+ 10	+ 6	+ 5
UK	:	:	:	+ 63	+ 51	+ 32	+ 63	+ 49	+ 47	+ 43	+ 34	+ 31	+ 30	+ 32	+ 27
EC (c)	- 7	+ 54	:	+ 50	+ 45	+ 30	+ 50	+ 44	+ 42	+ 41	+ 35	+ 32	+ 26	+ 27	+ 28

(a) The data are collected in January, April, July and October each year. * Through in III/1981.
 (b) These are the extreme (high and low) values of the net balances of the different questions, reached in the periods 1973-1975 and 1979-83, respectively.
 (c) Weighted total of available country data.
 (d) Answers to the questions whether, taking into account the level of order-books or production, capacity is more than sufficient (+), sufficient (=) or less than sufficient (-). Thus, negative net balances (capacity less than sufficient) indicate high levels of capacity utilization and positive net balances (capacity more than sufficient) are associated with low levels of capacity utilization.
 (e) The series for the United Kingdom are estimated using the national (Confederation of British Industry) data on the percentage of firms reporting below-capacity working.
 Source: European Community business surveys.

ty in branches with structural problems, such as mineral oil refining, metals, non-metallic mineral products (like products for construction purposes, ceramic products, flat glass, etc.) and motor vehicles. Compared with responses given in the past years, however, the amount of structural overcapacity seems to have decreased (see Table 3).

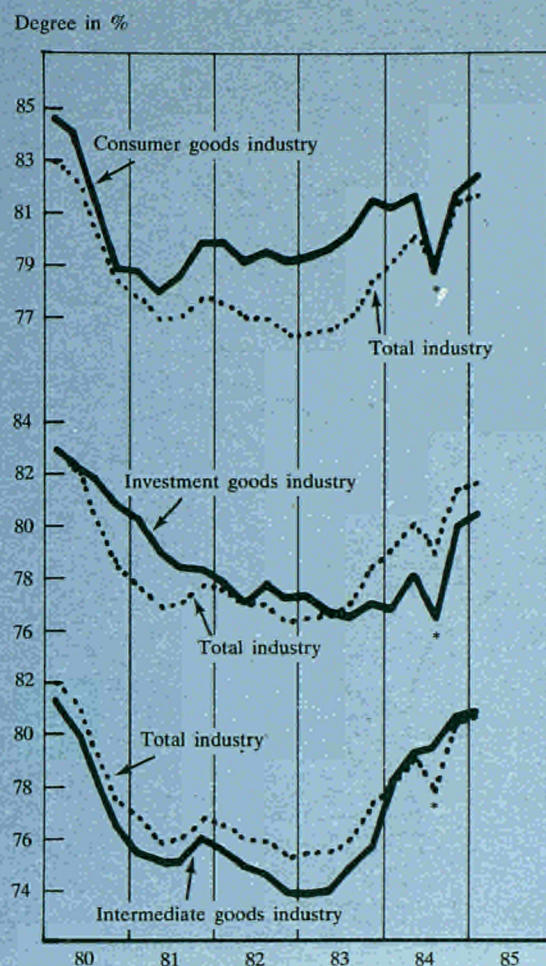
Low inflationary pressure. — According to past experience there is relatively close relation between the degree of capacity utilization and selling-price expectations in industry (see Graph 2). This relation has only been distorted in specific periods, in particular in 1981 after the second oil-shock, when cost push effects increased inflationary pressure in spite of low capacity utilization.

At present, costs are largely under control thanks to relatively stable raw material prices (in spite of the high USD) and moderate wage settlements. This is proved by selling-price expectations in industry : for the first time since many years, therefore, an increase in capacity utilization is accompanied by a stable or even decreasing trend of price expectations (see Graph 2). In view of the still existing degree of under-utilization in most member countries and of the only slow upward trend of production expectations the danger of "overheating" and as a consequence, a rise of inflationary expectations are not very likely at the moment. In Denmark and the Netherlands, where hardly any slack is left, the expected capacity effects of strong investment in 1984 and 1985 should be sufficient to prevent overheating.

Even if the room for non-inflationary expansion were fully exploited, it would only have a very limited employment effect, however. This emphasizes the need for substantially more investment to increase capacity in competitive sectors and to use the existing capital stock in a more efficient and labour-intensive way by introducing flexible working time arrangements.

Trends of capacity utilization and capacity constraints in selected branches (see Graph 3 and Table 3). — Capacity utilization increased by almost 1 %-point in the *consumer goods sector* to a relatively high level (82,5 %). An example for this positive development is the footwear and clothing branch (88,0 % compared to 87,3 % in October 1984 and 86,1 % one year ago). On average in the Community, the net

GRAPH 3 : Capacity utilization by industrial sectors — European Community



* Mainly due to metal workers' strike in Germany.

Sources : European Community business surveys

TABLE 3 : Degree of capacity utilization and expected capacity constraints — by industrial branches — European Community (s.a.)

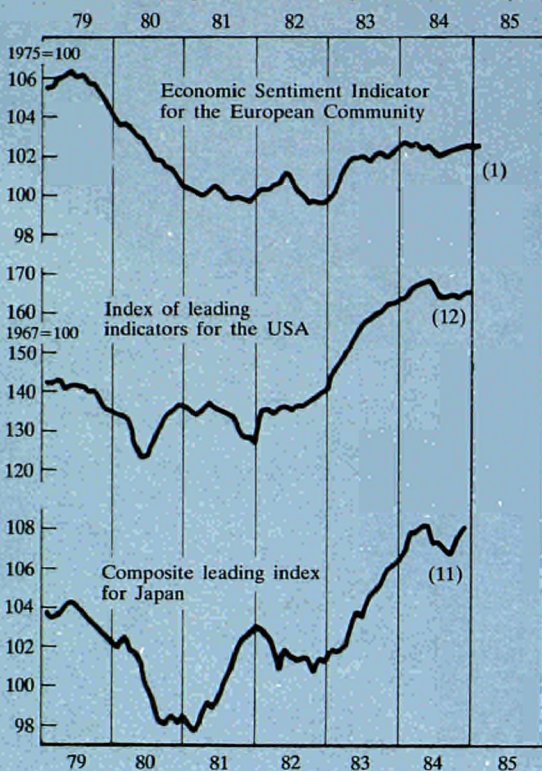
Industries	Degree of capacity utilization in %								Expected capacity constraints: net balances excess capacity (+), capacity too small (-)							
	1982	1983	1984	1984				1985	1982	1983	1984	1984				1985
				J	A	J	O	J				J	A	J	O	J
Industry as a whole	76.9	77.2	79.9	79.4	80.2	79.0	81.5	81.7	+45	+44	+30	+35	+32	+26	+27	+28
Consumer goods	79.5	80.3	80.7	81.3	81.7	78.1	81.6	82.5	+37	+36	+30	+32	+33	+24	+31	+32
Investment goods	77.8	76.9	78.0	76.7	77.9	76.7	80.6	80.5	+43	+44	+33	+41	+36	+30	+26	+28
Intermediate goods	75.8	76.1	80.5	79.2	80.3	81.0	81.6	81.9	+51	+49	+29	+34	+29	+29	+24	+26
Textile industry	80.0	81.5	84.1	82.5	83.7	85.1	85.0	84.9	+41	+33	+25	+26	+24	+21	+28	+18
Footwear and clothing	85.1	86.7	86.9	86.1	86.5	87.6	87.3	88.0	+26	+28	+26	+23	+29	+27	+26	+24
Timber/wooden furniture	75.9	80.9	82.6	82.2	82.8	82.3	83.1	81.1	+47	+37	+38	+39	+38	+36	+39	+33
Manufacture of paper, paper products, printing of which:	80.4	81.4	84.9	83.1	84.3	86.0	86.0	87.8	+35	+35	+16	+16	+15	+8	+24	+16
manufacture of paper ^{a)}	:	:	:	:	92.0	92.4	91.3	91.1	:	:	:	:	-3	-10	-8	-5
Leather	80.9	79.9	82.3	81.9	82.9	81.9	82.5	83.7	+28	+29	+13	+8	+7	+22	+16	+16
Plastics	74.8	77.7	81.0	81.4	81.0	80.4	81.2	81.9	+42	+32	+17	+17	+13	+17	+21	+13
Mineral-oil refining	74.9	75.2	80.6	78.9	81.2	80.8	81.6	81.0	+80	+81	+44	+51	+40	:	+65	+63
Metals	71.7	69.0	75.4	73.1	74.7	76.6	77.2	79.7	+67	+72	+53	+54	+51	+43	+64	+48
Non-metallic mineral products	72.5	73.8	77.1	74.9	77.5	78.1	77.9	78.3	+59	+53	+46	+48	+44	+42	+48	+44
Chemical industry	:	:	:	:	:	:	:	:	+34	+31	+9	+7	+4	+6	+17	+12
Man-made fibres	80.3	75.0	89.3	87.8	84.9	91.9	92.7	86.8	:	:	+16	+22	+3	+15	+22	+2
Metal articles	76.0	74.5	76.8	75.6	76.8	76.7	78.2	78.6	+41	+44	+41	+45	+41	+35	+43	+31
Mechanical engineering of which:	77.4	75.8	79.5	78.8	78.3	79.7	81.3	81.1	+45	+50	+37	+40	+37	+29	+43	+30
machines tools	78.0	73.7	78.5	75.3	76.1	79.9	82.5	83.8	+49	+55	+32	+42	+36	+32	+19	+9
Office & data processing machinery ^{a)}	:	:	:	:	87.8	81.9	83.0	88.0	:	:	:	:	-11	+1	+8	-16
Electrical engineering	79.2	79.7	81.3	81.2	80.7	79.9	83.4	83.2	+43	+35	+30	+28	+32	+27	+31	+30
Motor vehicles	:	:	:	:	:	:	:	:	+41	+47	+45	+53	+50	+27	+51	+44
Shipbuilding	73.6	69.2	66.0	64.6	66.0	67.2	66.2	67.2	+44	+46	+49	+45	:	+55	+69	+64
Rubber products	76.8	76.5	80.1	79.1	81.0	78.4	81.8	81.1	+53	+45	+31	+35	+26	+30	+34	+18
Instrument engineering	76.7	78.5	82.9	82.4	82.4	82.4	84.5	85.8	+47	+49	+26	+34	+30	+24	+15	+11

a) Not seasonally adjusted as time-series too short.

For further explanation, see footnotes to tables 1 and 2.

Source: European Community business surveys

GRAPH 4 : Leading indicators for the European Community, the USA and Japan



Sources : — Commission of the European Communities, Directorate-General for Economic and Financial Affairs
— US Department of Commerce
— Economic Planning Agency, Japanese Government
Arabic number indicates latest month for which data are available ("11" = November)

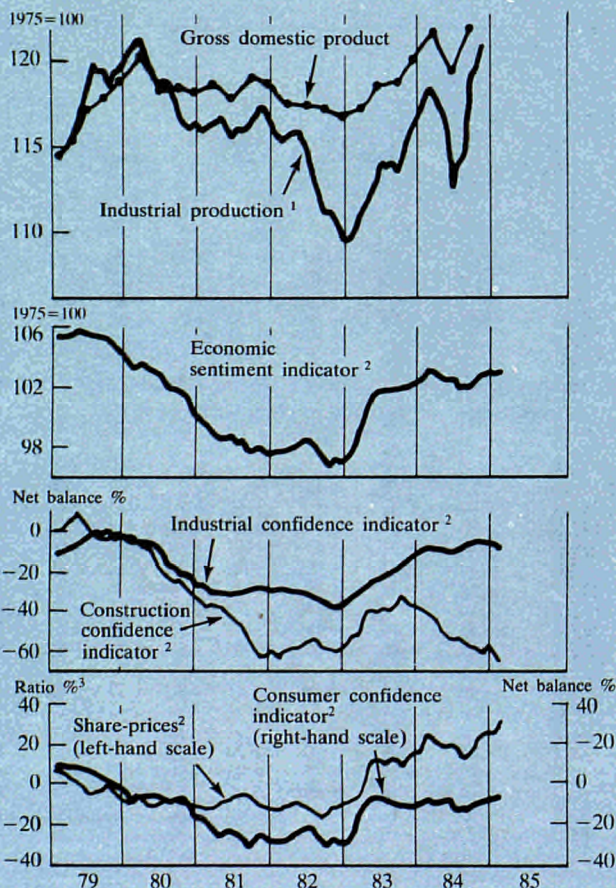
balance of the companies expecting capacity to be more than sufficient in the next 12 months is still 24 % in this industry, but in 2 member countries (Denmark and Ireland) present capacities are regarded as too small. On the other hand, in some consumer goods branches like the timber/wooden furniture industry, the degree of capacity utilization declined (from 83 % to 81,1 %). Overcapacity is expected in this industry by about one third of the companies; this is, however, not true for Danish firms.

In the *investment goods industries* as a whole, the upward trend did not continue in January 1985, with capacity utilization remaining at about 80,5 %. Both in the mechanical and electrical engineering branches, the degree of capacity utilization decreased slightly. But not all product lines were negatively affected. In particular in the office and data processing industry which is in boom conditions, utilization increased sharply (88 % compared to 83 % in October 1984). On average in the Community, the existing technical capacities are regarded in this industry as too small (net balance - 16). This holds particularly for Germany and for the United Kingdom.

But also in some other capital goods branches like the machine tools industry, the upward trend continued, above all in Germany, where technical capacity is now regarded as too small (- 3). Such shortages also continue to be reported by Dutch and Belgian producers of machine tools. Another positive example within the investment goods sector is instrument engineering, where capacity utilization reached in January 85,8 % compared to 84,5 % in October last year.

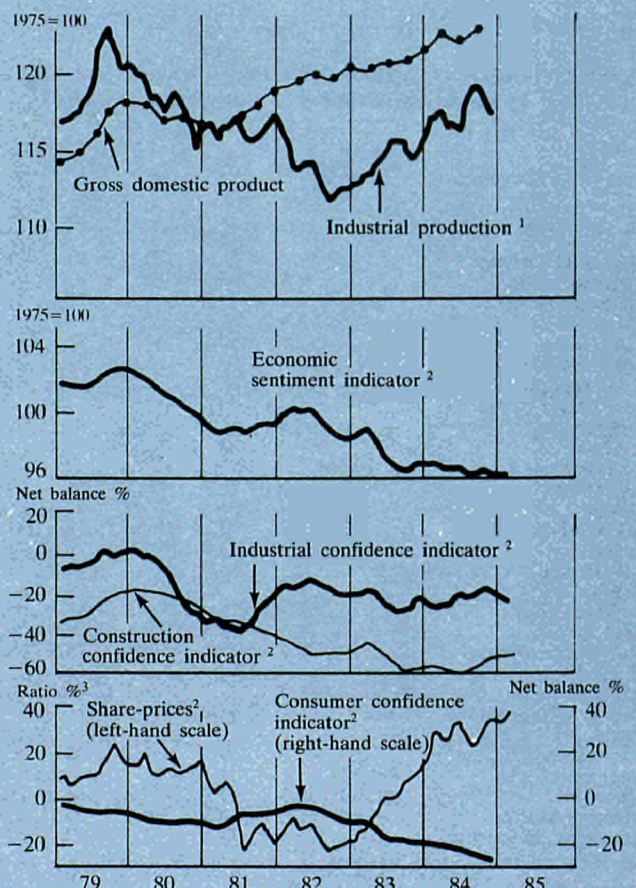
In the *intermediate goods sector* capacity utilization increased slightly from 81,6 % to 81,9 %. Noticeable was the improvement in the metal branches where capacity utilization rose to 79,7 % (October 1984 : 77,2 %; January 1984 : 73,1 %). This branch is still struggling with overcapacity, however : 48 % of metal companies regard their existing technical capacity as too large. This is particularly true for the Netherlands, for France, the United Kingdom and Belgium.

GRAPH 5 : Indicators of output and economic sentiment
Federal Republic of Germany



¹ Three-month moving average.
² See notes to Table 5.
³ Deviations from trend (75-months moving average) in %.

GRAPH 6 : Indicators of output and economic sentiment
France



¹ Three-month moving average.
² See notes to Table 5.
³ Deviations from trend (75-months moving average) in %.

Compared with 1982 and 1983, however, this represents a noticeable improvement (1982 : 67 %; 1983 : 72 %).

In the case of man-made fibres, capacity utilization fell somewhat, but is still on a relatively high level and hardly any excess capacity is expected in the Community over the next 12 months. A branch enjoying an even higher level of capacity utilization is the manufacture of paper, with present capacity utilization at 91,1 % and with capacity constraints expected in particular by French (- 21), Belgian (- 12) and German (- 12) paper producers.

Economic sentiment indicator only slightly improved. — The EC composite indicator in January 1985 was slightly above the value reached in December 1984 (102,5 compared to 102,4; 1975=100). It now corresponds to the level of November 1984, indicating a rather flat trend of the leading indicator in the past months. The marginal improvement of the indicator in January 1985 was due to stronger consumer confidence and to an increase in the share price index. On the other hand, the industrial confidence indicator and, to a greater extent, the confidence indicator in construction, badly affected by the hard winter, deteriorated.

Economic sentiment improved by more than the Community average in Italy (104,2 compared to 103,9; 1975=100) and in the Netherlands (103,5 compared to 102,7; 1975=100), in both cases mainly due to a more optimistic consumer climate and higher share prices. On the other hand, the indicator declined slightly in the United Kingdom (from 103,6 to 103,5; 1975=100) because of a decrease in industrial and construction confidence. In France, the declining trend did not continue; economic sentiment improved slightly but is still at the lowest level in the Community (96,4 compared to 96,3; 1975=100). The indicator also increased marginally in Germany and Belgium; in Ireland it remained stable.

Compared with the leading indicators in the US and in Japan, the European one is still at a rather low level (see Graph 4). In Japan, the dip of the indicator from June to September 1984 was offset by the strong recovery in October and November. The latest available value of this indicator in

Japan (November 1984) again equals the high level of April/May 1984.

In the USA the Department of Commerce index of leading indicators has not shown a clear trend in the past months. In December 1984 (latest available month), the indicator fell by 0,2 % following a November increase of 0,6 %. The December value of the US indicator was 2,1 % below the peak reached in May 1984 (164,9 compared to 168,5).

Industrial confidence indicator deteriorates slightly. — At the EC level, the indicator lost 2 points in January 1985 (- 10 compared to - 8 in December 1984). Two of the three components decreased in January : order books by 3 points and evaluation of stocks of finished goods by 2 points, production expectations remained unchanged at + 5 (net balance) pointing to a continuation of the upward trend of output at the Community level, but at a slower speed than in the second half of 1984.

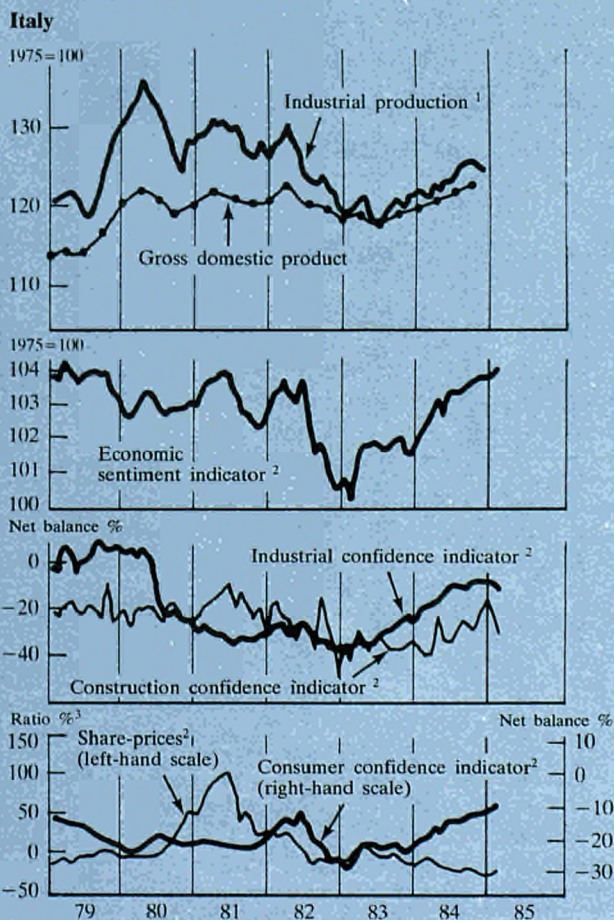
Taken by country, the industrial confidence indicator deteriorated by about 2 points in most cases; the only exceptions are Belgium, Greece and Luxembourg, where it increased in each case by 1 point.

Selling-price expectations in industry did not continue to fall further, but rose slightly due to increases in France, Italy and Belgium. The expectations level is nevertheless lower in all member countries than at the beginning of last year (Community average + 30 compared to + 38), with the exception of Greece where it remained unchanged.

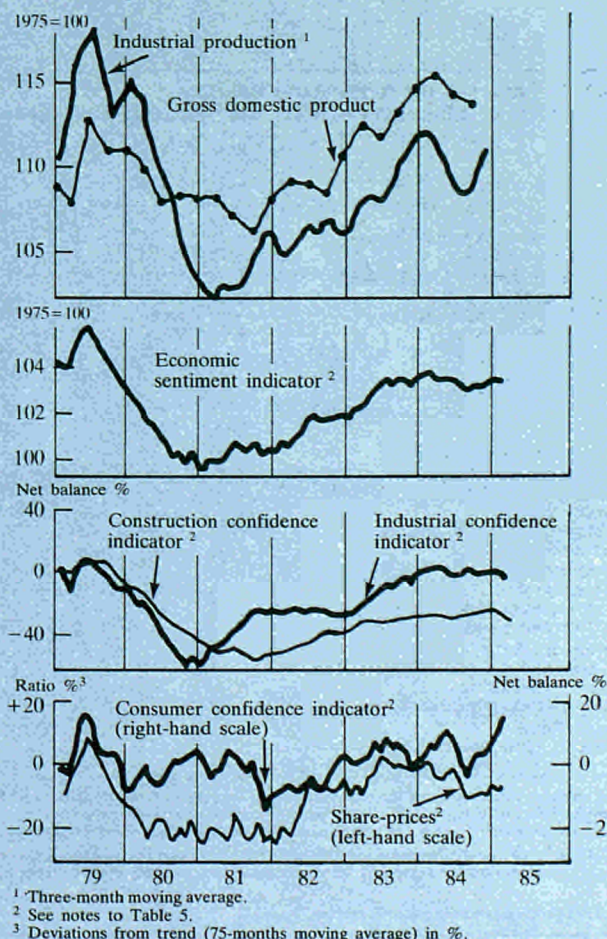
Consumer confidence improved. — January data on consumer attitudes and expectations are, at present, available only for Germany, Italy and the United Kingdom. (A more intensive analysis of the consumer survey data in all European countries will be published in the next edition of Supplement B).

In the *Federal Republic of Germany*, the slight improvement in consumer confidence, which has been observed since September 1984, continued in January 1985 (- 6 versus - 8 in December 1984). This was due to a less negative assessment of the general economic situation over the last year (- 7

GRAPH 7 : Indicators of output and economic sentiment



GRAPH 8 : Indicators of output and economic sentiment



versus - 11) and to a noticeable improvement of the outlook for the next 12 months (- 4 versus - 8). More favourable opinions with regard to the advisability of major purchases (- 4 versus - 7) also contributed to the relative strengthening of the consumer climate.

In the *United Kingdom*, the consumer confidence indicator improved slightly (- 6 versus - 7) in January 1985 in spite of more pessimistic views on recent and future developments of the general economic situation and of the financial position of households. This is due to the strong improvement of the judgements of consumers on the advisability to buy consumer durables (+ 36 versus + 20).

In January 1985, the consumer confidence indicator for *Italy* showed an improvement compared with the preceding month (- 9 versus - 11), mainly because of the less pessimistic expectations for the next 12 months on the general economic situation and on the financial position of households (from - 5 to + 3 and - 3 to 0 respectively). There was, on the other hand, a decline of the percentage of consumers now considering it appropriate to make major purchases (- 19 versus - 14).

Construction confidence indicator has deteriorated further. — After a short interruption in October and November 1984 the downward trend continued in January 1985, not least under the impact of the extremely hard winter. The new level (- 45)* is very close to the one in the recession period 1982 (- 46)*. The decrease was particularly pronounced in Germany (- 65 compared to - 62)* and in Luxembourg (- 58 compared to - 46)*. On the other hand, in Belgium and France construction activity is on a slight upward trend. More than half of the European construction companies expect that employment will fall in the next few months (seasonally adjusted). Relatively favourable is the development in the Netherlands, where only a minority of companies expect to cut employment levels (- 14)* in the next months.

15 February 1985

* All figures are net balances.

TABLE 4: Survey of the construction industry

Net balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.) (b)

		Range (c)		1982	1983	1984	1984				1984					1985
		Peak 72/73	Trough 74/75				I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
B	order-books	-13	-47	-61	-73	-68	-72	-69	-66	-64	-66	-68	-66	-63	-62	-58
	employment expectations	+31	-24	-36	-41	-39	-50	-45	-32	-27	-30	-30	-25	-28	-28	-29
	price expectations	+75	+25	-1	-11	-8	-13	-10	-6	-3	-7	-5	-1	-5	-2	-11
	construction confidence indicator (a)	+9	-36	-49	-57	-54	-61	-57	-49	-46	-48	-49	-46	-46	-45	-44
D	order-books	-17	-84	-73	-60	-69	-59	-70	-73	-73	-74	-73	-74	-70	-75	-76
	employment expectations	+10	-60	-44	-20	-38	-27	-36	-41	-47	-42	-43	-48	-45	-48	-53
	price expectations	+48	-37	-28	+3	-15	-3	-22	-19	-16	-20	-19	-19	-15	-14	-20
	construction confidence indicator (a)	-4	-72	-59	-40	-54	-43	-53	-57	-60	-58	-58	-61	-58	-62	-65
F	order-books	:	:	-62	-66	-68	-69	-73	-69	-60	:	:	-60	:	:	-63
	employment expectations	:	:	-35	-37	-45	-47	-47	-43	-43	:	:	-43	:	:	-37
	price expectations	:	:	-49	-52	-57	-58	-60	-56	-52	:	:	-52	:	:	-50
	construction confidence indicator (a)	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
I	order-books	-25	-68	-44	-48	-39	-45	-45	-37	-30	-35	-41	-33	-29	-28	-34
	employment expectations	+10	-44	-13	-23	-17	-23	-20	-15	9	-16	-16	-10	-1	-17	-25
	price expectations	+85	+30	+54	+14	+10	+13	+8	+9	+8	+5	+5	+6	+9	+10	+11
	construction confidence indicator (a)	-8	-56	-29	-36	-28	-34	-33	-26	-20	-26	-29	-22	-15	-23	-30
L	order-books	+21	-50	-46	-53	-67	-75	-73	-59	-61	-58	-56	-59	-66	-58	-66
	employment expectations	+31	-39	-25	-36	-51	-67	-49	-46	-40	-40	-50	-42	-46	-31	-49
	price expectations	+82	+11	+17	-16	-24	-33	-33	-20	-10	-19	-16	-5	-11	-14	-10
	construction confidence indicator (a)	+26	-45	-36	-45	-59	-71	-61	-53	-51	-49	-53	-51	-56	-45	-58
NL	order-books	-8	-81	-57	-55	-40	-47	-40	-38	-36	-38	-38	-37	-36	-36	-35
	employment expectations	+14	-13	-25	-14	-6	-7	-5	-4	-8	-5	-6	-4	-9	-12	-14
	price expectations	+3	-47	-41	-35	-23	-27	-23	-21	-22	-22	-22	-21	-23	-24	-24
	construction confidence indicator (a)	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
UK	order-books	:	:	-59	-48	-43	-43	-47	-43	-37	:	:	-37	:	:	-38
	employment expectations	:	:	-25	-12	-11	-12	-12	-9	-9	:	:	-9	:	:	-20
	price expectations	:	:	0	+11	+9	+14	+7	+6	+7	:	:	+7	:	:	+14
	construction confidence indicator (a)	:	:	-42	-30	-27	-28	-30	-26	-23	:	:	-23	:	:	-29
EC	order-books	:	:	-61	-57	-57	-56	-60	-57	-53	(-57)	(-58)	-53	(-52)	(-53)	-55
	employment expectations	:	:	-31	-24	-29	-28	-30	-29	-29	(-29)	(-30)	-29	(-27)	(-31)	-34
	price expectations	:	:	-46	-41	-43	-42	-45	-43	-41	(-43)	(-44)	-41	(-40)	(-42)	-45
	construction confidence indicator (a)	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:

(a) The indicator is an average of the responses (net balances) to the questions on order-books and employment expectations.

(b) Details of the questions are given in the December 1984 issue of this supplement.

(c) These are the extreme (high and low) values of the net balances of the different questions, reached in the course of 1972/73 and 1974/75, respectively.

Note: The annual and quarterly figures are averages of the corresponding monthly data, except for France and the United Kingdom, where the survey is carried out on a quarterly basis. The monthly and related quarterly data are seasonally adjusted unless otherwise indicated; the seasonal adjustment applied to the most recent observations is provisional, so that such data are subject to later revision.

Source: European Community business surveys.

TABLE 5: Indicators of output and economic sentiment

		Trough 1974/75	1982	1983	1984	1984				1984					1985
						I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
B	<i>gross domestic product</i>	1975=	:	:	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>	100	88,2	111,2	113,5	116,5	118,3	119,5	:	116,4	123,3	118,4	:	:	:
	1. industrial confidence indicator		-56	-22	-20	-12	-15	-10	-11	-9	-11	-11	-11	-11	-10
	2. construction confidence indicator		-36	-48	-57	-54	-61	-57	-49	-48	-49	-46	-46	-45	-44
	3. consumer confidence indicator ^{1, 4}		-18	-27	-27	-27	-28	-26	:	:	:	-26	:	:	:
	4. share-price index ^{4, 5}		84,9	86,8	111,7	140,4	132,8	137,8	142,3	148,6	144,8	150,0	150,6	148,9	146,3
	= 5. economic sentiment indicator		99,5	98,5	99,1	100,5	99,8	100,2	100,9	100,9	100,8	100,9	100,9	100,8	100,9
D	<i>gross domestic product</i> ³	1975=	99,0	117,4	118,9	:	122,0	119,6	122,2	:	:	:	:	:	:
	<i>index of industrial production</i>	100	97,9	112,9	113,6	:	118,0	112,5	119,3	:	118,7	118,9	121,9	122,3	:
	1. industrial confidence indicator		-49	-33	-21	-8	-8	-10	-6	-5	-5	-5	-6	-6	-8
	2. construction confidence indicator		-72	-59	-40	-54	-43	-53	-57	-58	-58	-61	-58	-62	-65
	3. consumer confidence indicator ^{1, 4}		-22	-26	-12	-9	-8	-10	-11	-12	-9	-9	-8	-8	-6
	4. share-price index ^{4, 5}		80,0	108,3	136,9	155,4	155,6	152,7	150,1	163,4	148,6	156,0	162,0	163,4	164,7
	= 5. economic sentiment indicator		98,9	97,7	101,3	102,5	103,0	102,0	102,2	102,9	102,2	102,7	102,8	103,0	103,0
F	<i>gross domestic product</i>	1975=	98,5	120,0	120,8	:	122,9	122,2	123,2	:	:	:	:	:	:
	<i>index of industrial production</i>	100	86,9	113,7	114,6	:	117,3	116,4	119,3	:	120,8	116,4	119,0	117,2	:
	1. industrial confidence indicator		-49	-17	-23	-22	-25	-22	-19	-19	-17	-18	-20	-21	-23
	2. construction confidence indicator		:	-49	-52	-57	-58	-60	-56	:	:	-52	:	:	-50
	3. consumer confidence indicator ^{1, 4}		-9	-5	-16	-23	-20	-22	:	:	:	-27	:	:	:
	4. share-price index ^{4, 5}		79,8	131,0	172,3	234,5	225,0	236,1	225,8	250,9	227,7	242,3	250,3	250,8	251,7
	= 5. economic sentiment indicator		98,5	99,4	97,3	96,5	96,6	96,4	96,6	96,5	96,5	96,6	96,5	96,4	96,4
IRL	<i>gross domestic product</i>	1975=	:	127,4	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>	100	96,3	135,6	144,6	:	154,6	166,7	:	:	152,4	168,9	:	:	:
	1. industrial confidence indicator		-41	-19	-20	-10	-7	-10	-11	-12	-16	-15	-11	-16	-10
	2. construction confidence indicator		:	-51	-60	-45	-61	-50	-48	-21	-45	-55	-14	-29	-19
	3. consumer confidence indicator ^{1, 4}		-41	-34	-40	-33	-33	-32	-33	-34	:	:	-34	:	:
	4. share-price index ^{4, 5}		63,4	179,9	222,4	297,3	309,6	314,8	285,7	279,2	270,8	284,9	279,2	279,2	279,2
	= 5. economic sentiment indicator		98,1	100,3	99,9	101,1	101,0	101,0	101,2	101,3	101,1	101,2	101,3	101,2	101,3
I	<i>gross domestic product</i>	1975=	93,1	120,5	119,0	:	120,8	121,7	123,0	:	:	:	:	:	:
	<i>index of industrial production</i>	100	94,7	124,4	120,3	:	122,9	123,5	125,8	:	125,9	127,4	124,3	122,9	:
	1. industrial confidence indicator		-59	-31	-29	-11	-17	-10	-9	-7	-10	-7	-7	-7	-10
	2. construction confidence indicator		-56	-29	-36	-28	-34	-33	-26	-20	-26	-29	-22	-15	-23
	3. consumer confidence indicator ^{1, 4}		-39	-18	-23	-15	-18	-15	-13	-12	-13	-12	-12	-12	-9
	4. share-price index ^{4, 5}		84,6	129,9	159,9	180,6	182,9	175,6	180,8	183,2	184,8	183,4	182,4	181,3	183,4
	= 5. economic sentiment indicator		98,9	102,3	101,6	103,4	102,7	103,2	103,6	103,9	103,6	103,8	103,9	103,9	104,2
NL	<i>gross domestic product</i>	1975=	:	113,1	:	:	:	:	:	:	:	:	:	:	:
	<i>index of industrial production</i>	100	98,0	105,6	107,8	:	113,8	114,2	114,9	:	116,8	114,6	112,4	114,6	:
	1. industrial confidence indicator		-44	-26	-16	-4	-7	-4	-3	-4	-5	-1	-6	-3	-3
	2. construction confidence indicator		-47	-41	-35	-23	-27	-23	-21	-22	-21	-22	-21	-23	-24
	3. consumer confidence indicator ^{1, 4}		-19	-32	-30	-22	-26	-23	-19	-21	:	:	-21	:	-11
	4. share-price index ^{4, 5}		80,5	100,0	144,4	183,4	181,0	175,9	178,7	197,9	178,6	189,0	196,9	196,6	198,5
	= 5. economic sentiment indicator		99,5	96,7	98,7	101,3	100,6	101,1	101,8	102,4	101,9	102,2	102,2	102,2	103,5
UK	<i>gross domestic product</i>	1975=	98,1	109,5	113,2	:	115,5	114,2	113,7	:	:	:	:	:	:
	<i>index of industrial production</i>	100	97,0	106,0	109,5	:	111,2	108,9	109,0	:	108,6	110,2	111,6	111,4	:
	1. industrial confidence indicator		:	-25	-10	0	+ 2	- 2	+ 1	0	0	- 1	- 1	0	+ 1
	2. construction confidence indicator		:	-42	-30	-27	-28	-30	-26	-23	:	:	-23	:	-29
	3. consumer confidence indicator ^{1, 4}		-33	-12	-2	-5	-2	-2	-9	-7	-10	-8	-9	-6	-6
	4. share-price index ^{4, 5}		49,2	274,6	346,1	412,3	394,1	409,5	400,8	444,6	404,3	419,9	425,4	442,2	466,3
	= 5. economic sentiment indicator		98,6	101,6	103,2	103,5	103,8	103,5	103,2	103,5	103,2	103,3	103,3	103,6	103,5
EC	<i>gross domestic product</i> ^{2, 3}	1975=	99,0	116,8	118,0	:	120,4	119,3	120,6	:	:	:	:	:	:
	<i>index of industrial production</i>	100	96,8	112,7	113,8	:	116,8	115,4	118,1	:	118,8	118,3	120,0	119,3	:
	1. industrial confidence indicator		-49	-27	-20	-10	-11	-11	-8	-8	-8	-8	-8	-8	-10
	2. construction confidence indicator		:	-46	-41	-43	-42	-45	-43	-41	(-43)	(-44)	-41	(-40)	(-42)
	3. consumer confidence indicator ^{1, 4}		-17	-17	-14	-14	-13	-14	-15	-14	-15	-14	-14	-14	-13
	4. share-price index ^{4, 5}		81,8	187,2	244,3	292,5	284,9	290,2	285,4	309,3	286,4	296,9	301,0	308,3	318,7
	= 5. economic sentiment indicator		98,7	100,2	101,7	102,4	102,6	102,2	102,2	102,5	102,1	102,3	102,4	102,5	102,5

¹ Quarterly series are constructed by attributing results of the January, May and October surveys to the first, second and fourth quarters respectively. Third quarter data are interpolated between second and fourth quarter values. For the method of construction of the indicator, see: *European Economy - Supplement C, Dec. 1984*.

² Weighted total of quarterly figures for the Federal Republic of Germany, France, Italy and the UK.

³ For the Federal Republic of Germany, gross national product for quarterly data.

⁴ Not seasonally adjusted.

⁵ Revised by Eurostat.

Source: European Community business surveys and Eurostat.

TABLE 6: **Monthly survey of manufacturing industry** — Monthly questions and the composite industrial confidence indicator (a)
Net balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.)

		Range (b)		1982	1983	1984	1984				1984					1985
		Peak 1972/73	Trough 1974/75				I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
B	production expectations	+31	-56	-18	-16	-3	-2	-5	-2	-1	-1	-2	+1	-1	-3	+3
	order-books	+13	-74	-40	-34	-23	-23	-25	-21	-24	-19	-21	-26	-24	-23	-23
	export order-books	+15	-82	-40	-34	-25	-26	-27	-23	-24	-21	-23	-25	-23	-24	-25
	stocks of finished products	-14	+37	+8	+9	+10	+11	+14	+7	+8	+7	+9	+8	+8	+8	+9
	selling-price expectations	+64	-10	+28	+24	+27	+30	+23	+28	+25	+25	+31	+33	+24	+19	+26
	industrial confidence indicator	+19	-56	-22	-20	-12	-12	-15	-10	-11	-9	-11	-11	-11	-11	-10
DK	production expectations	:	:	+3	+8	+27	+30	+23	+30	+26	:	:	:	:	:	:
	order-books	:	:	-17	-3	+31	+24	+32	+31	+35	:	:	:	:	:	:
	export order-books	:	:	-4	-3	+26	+18	+27	+30	+30	:	:	:	:	:	:
	stocks of finished products	:	:	+16	+9	0	+2	+9	0	-10	:	:	:	:	:	:
	selling-price expectations	:	:	-10	-2	+19	+17	+15	+20	+24	:	:	:	:	:	:
	industrial confidence indicator	:	:	-10	-2	+19	+17	+15	+20	+24	:	:	:	:	:	:
D	production expectations	-17	-32	-20	-2	+5	+7	+1	+8	+5	+8	+10	+7	+5	+4	+1
	order-books	-5	-73	-53	-43	-21	-24	-22	-20	-16	-19	-19	-16	-16	-16	-17
	export order-books	:	:	-40	-43	-23	-33	-25	-20	-13	-19	-19	-15	-12	-12	-15
	stocks of finished products	-7	+43	+26	+17	+8	+8	+9	+7	+6	+5	+7	+6	+6	+5	+9
	selling-price expectations	+55	+4	+18	+16	+24	+25	+24	+25	+22	+24	+30	+24	+23	+18	+15
	industrial confidence indicator	+10	-49	-33	-21	-8	-8	-10	-6	-6	-5	-5	-5	-6	-6	-8
GR	production expectations	:	:	+5	+14	+24	+22	+23	+26	+23	+26	+33	+25	+26	+17	+26
	order-books	:	:	-36	-29	-28	-32	-31	-28	-21	-29	-27	+27	-17	-19	-30
	export order-books	:	:	-39	-30	-27	-24	-31	-27	-25	-28	-28	-30	-19	-25	-42
	stocks of finished products	:	:	+20	+14	+18	+15	+23	+17	+15	+16	+18	+16	+17	+13	+9
	selling-price expectations	:	:	+21	+27	+33	+32	+31	+27	+41	+28	+27	+33	+41	+50	+72
	industrial confidence indicator	:	:	-17	-10	-7	-8	-11	-6	-4	-6	-4	-6	-3	-5	-4
F	production expectations	+33	-29	-4	-13	-10	-17	-10	-5	-7	-5	-2	-4	-6	-10	-7
	order-books	+26	-69	-30	-38	-35	-37	-35	-33	-33	-33	-33	-30	-34	-34	-39
	export order-books	+24	-66	-36	-38	-19	-22	-17	-16	-22	-16	-19	-20	-25	-20	-26
	stocks of finished products	-14	+50	+16	+18	+20	+20	+20	+19	+20	+19	+16	+21	+19	+20	+23
	selling-price expectations	+76	+15	+49	+45	+42	+51	+42	+42	+33	+42	+38	+37	+31	+31	+41
	industrial confidence indicator	+29	-49	-17	-23	-22	-25	-22	-19	-20	-19	-17	-18	-20	-21	-23
IRL	production expectations	:	-21	-4	-8	+2	+7	-4	+4	0	0	+2	+4	-3	-2	-2
	order-books	:	-68	-39	-44	-29	-27	-27	-33	-27	-36	-42	-27	-35	-19	-19
	export order-books	:	-22	-7	0	+8	+11	+11	+2	+8	-7	-3	-6	+18	+12	+4
	stocks of finished products	:	+35	+14	+8	+6	+2	+7	+5	+9	+12	+6	+9	+11	+8	+12
	selling-price expectations	:	+64	+35	+31	+32	+39	+32	+26	+30	+23	+26	+40	+22	+27	+24
	industrial confidence indicator	:	-41	-19	-20	-10	-7	-10	-11	-12	-16	-15	-11	-16	-10	-11
I	production expectations	+40	-43	-15	-11	+9	+5	+9	+11	+12	+9	+16	+14	+12	+11	+7
	order-books	+30	-82	-53	-54	-26	-37	-26	-24	-18	-24	-23	-23	-18	-14	-21
	export order-books	+13	-67	-49	-49	-28	-35	-25	-24	-27	-25	-21	-25	-30	-26	-31
	stocks of finished products	-24	+53	+25	+22	+16	+19	+14	+13	+16	+16	+13	+13	+15	+19	+17
	selling-price expectations	+76	+10	+50	+45	+47	+52	+48	+46	+40	+42	+46	+43	+42	+34	+43
	industrial confidence indicator	+31	-59	-31	-29	-11	-17	-10	-9	-7	-10	-7	-7	-7	-7	-10
L	production expectations	+84	-80	-40	-7	-7	-20	-15	-1	+7	+1	-3	+1	+11	+9	+13
	order-books	:	:	-60	-49	+10	+4	+11	+13	+13	+13	+12	+15	+17	+7	+5
	export order-books	:	:	-57	+11	+7	+10	+12	+14	+14	+11	+10	+12	+22	+8	+4
	stocks of finished products	-14	+74	+14	+23	+4	+7	+8	+2	-1	+2	+3	+1	0	-5	-7
	selling-price expectations	:	-46	+10	+24	+23	+24	+15	+30	+23	+30	+28	+34	+23	+12	+8
	industrial confidence indicator	:	:	-38	-26	+1	-3	-4	+3	+7	+4	+2	+5	+9	+7	+8
NL	production expectations	+26	-26	-5	0	+7	+6	+7	+7	+6	+4	+11	+3	+8	+7	+2
	order-books	+7	-48	-39	-32	-11	-18	-11	-7	-7	-9	-6	-10	-7	-4	-5
	stocks of finished products	-3	+57	+33	+15	+9	+9	+8	+9	+10	+9	+9	+12	+10	+8	+5
	industrial confidence indicator	+12	-44	-26	-16	-4	-7	-4	-3	-4	-5	-1	-6	-3	-2	-3
UK	production expectations	:	:	+1	+17	+21	+27	+18	+19	+19	+20	+17	+16	+20	+22	+19
	order-books	:	:	-54	-34	-10	-12	-12	-9	-8	-11	-11	-8	-9	-8	-12
	export order-books	:	:	-48	-34	-13	-17	-17	-10	-6	-11	-9	-8	-4	-6	-6
	stocks of finished products	:	:	+23	+13	+10	+9	+12	+8	+11	+9	+10	+10	+11	+12	+16
	selling-price expectations	:	:	+27	+26	+32	+34	+27	+30	+35	+31	+31	+36	+34	+35	+32
	industrial confidence indicator	:	:	-25	-10	0	+2	-2	+1	0	0	-1	-1	0	+1	-3
EC	production expectations	+24	-30	-11	-3	+5	+5	+3	+7	+6	+7	+9	+7	+6	+5	+5
	order-books	+15	-70	-47	-40	-22	-26	-23	-21	-19	-21	-21	-19	-19	-18	-21
	export order-books	:	:	-42	-40	-21	-27	-22	-19	-16	-18	-17	-17	-17	-15	-18
	stocks of finished products	-10	+48	+22	+16	+12	+13	+13	+11	+12	+11	+11	+11	+12	+12	+14
	selling-price expectations	+64	+9	+32	+30	+33	+38	+33	+32	+29	+32	+34	+32	+30	+26	+30
	industrial confidence indicator	+16	-49	-27	-20	-10	-11	-11	-8	-8	-8	-8	-8	-8	-8	-10

(a) The indicator is an average of the responses (net balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

(b) These are the extreme (high and low) values of the net balances of the different questions, reached in the course of 1972/73 and 1974/75, respectively.

Note: (s.a.) = seasonally adjusted; : = not available. Source: European Community business surveys.

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